



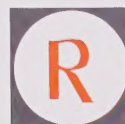
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REVENUE PROPERTIES COMPANY LIMITED

Annual Report 1966

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CORPORATE INFORMATION



A. J. RUBIN



H. RUBIN



J. R. CAMPBELL, Q.C.



D. M. DEACON



J. P. WALWYN



DR. H. FROST



S. GOTFRID, Q.C.



R. K. McCONNELL



W. P. WALKER, O.B.E.

BOARD OF DIRECTORS

ALEX J. RUBIN

Chairman and President, Revenue Properties Company Limited.
Resident Toronto.

HARRY RUBIN

Executive Vice-President, Revenue Properties Company Limited.
Resident Toronto.

JOHN R. CAMPBELL, Q.C.

Partner, Campbell & Rogers.
Resident Toronto.

DONALD M. DEACON

Vice-President and Director, F. H. Deacon & Co. Ltd., President and
Director, Canadian Hydrocarbons Ltd. Resident Toronto.

JOHN P. WALWYN

Chairman, Walwyn, Stodgell & Co. Ltd. Director: General Bakeries
Ltd., Thompson Paper Box Co. Ltd., Capital Growth Fund Ltd.
Resident Toronto.

HELMUT FROST

General Manager of Bankhaus Friedrich Simon KGaA.
Resident Dusseldorf, Germany.

SAMUEL GOTFRID, Q.C.

Partner, Gotfrid, Dennis & Burnett. Resident Toronto.

ROBERT K. McCONNELL

President, McConnell & Company Limited. Director: Canadian Vickers
Ltd., The Metropolitan Trust Company. Resident Toronto.

WILLIAM P. WALKER, O.B.E.

President, Mindustrial Corp. Ltd. Director: Canadian Imperial Bank
of Commerce, Consumers Glass Co. Ltd., The Great West Life
Assurance Co., York Knitting Mills Ltd. Resident Toronto.

OFFICERS

ALEX J. RUBIN, President and Chairman of the Board.

HARRY RUBIN, Executive Vice-President and Treasurer.

BERKO DEVOR, Senior Vice-President, Controller and Assistant
Secretary.

PETER E. BASTEDO, Vice-President.

IAN MacF. ROGERS, Secretary.

SARA TUBERMAN, Assistant Treasurer.

HEAD OFFICE

12 Sheppard Street, Toronto 1, Canada.

AUDITORS

Perlmutter, Orenstein, Giddens, Newman & Kofman.

COMMON STOCK

Transfer Agent: National Trust Company, Limited.

Registrar: National Trust Company, Limited.

PREFERRED STOCK

Transfer Agent: National Trust Company, Limited.

Registrar: National Trust Company, Limited.

DEBENTURES

Trustee: The Royal Trust Company.

REPORT TO THE SHAREHOLDERS



ALEX J. RUBIN, President

It is a pleasure to report that 1966 was another year in which your Company made considerable progress. Recognizing early in the year that there would be a shortage of money for capital projects, your Company arranged for the sale of certain holdings and the refunding of outstanding mortgages, with the result that all development programs have been proceeding on schedule.

EARNINGS:

The consolidated net earnings for the year after providing \$500,000 for income tax, rose to \$1,725,747 as compared with \$1,624,326 in 1965, an increase of approximately 7%. After provision for dividends on preference shares totalling \$275,764, net earnings amounted to \$1,449,985, equivalent to \$1.12 per common share, up from \$1,428,737, or \$1.10 per common share the previous year. Based on work in process, we expect profits for 1967 to substantially exceed the profits for 1966.

DIVIDENDS:

During the year your Directors declared a cash dividend of 20¢ per common share which was paid on December 15, 1966. In addition to payment of regular 32½¢ quarterly dividends on the 6½% cumulative, redeemable, convertible participating preference shares, Series A and Series B, your Company paid a participating dividend of 70¢ per share on the Series A shares and 41¢ per share on the Series B shares. Quarterly dividends on the 6% second preference shares were paid. On March 15th and September 15th, your Company paid its regular semi-annual dividends on the common shares in the form of 1/40th of one 6% second preference share having a par value of \$10.00 for each common share outstanding.

Your Board of Directors has initiated a program of redeeming the outstanding second preference shares previously issued as stock dividends on the common shares. 20% of the outstanding second preference shares were redeemed prior to the end of 1966 and on

March 31, 1967, 50% of the remaining preference shares were redeemed.

During the year 1966 the industrial buildings owned by your Company had a vacancy factor of less than 2%. Since the Company's industrial properties are well located and the cost of replacing them has increased substantially, we found, as existing leases expired, that we were able to renew them or to rent to new tenants, at increased rentals.

THE RUBIN CORPORATION LIMITED

Your Company's operating subsidiary is engaged in the following activities:—

(a) Building industrial buildings for sale or lease in two principal locations, Toronto and Montreal. Because of the extreme shortage of mortgage funds, the activities of this division were somewhat reduced during 1966, and only 900,000 square feet of industrial buildings were completed during the year, as compared with 1,200,000 square feet in 1965. This company owns or controls twelve industrial parks which are well located and should attract industries looking for new warehousing or manufacturing facilities.

(b) Construction of housing. This Company is constructing or has constructed the following various types of housing:—

(i) Garden Communities—This includes the development of raw land and the erection of garden housing and apartments in suburban areas. Three important Garden Communities in Metropolitan Toronto containing a total of approximately 3,300 housing units have now been substantially completed. We were responsible for the construction of all the units in Braeburn Woods and Don Valley Woods. In Yorkwoods Village we built approximately half of the housing units and sold the remaining serviced land to other developers at a profit.

(ii) High Rise Apartment Buildings — The year 1966 saw the completion of the 265 unit, twenty-two storey

apartment building known as "Top of the Valley" located in Don Valley Woods. Later in the same year we started construction of a nineteen storey students' residence containing facilities for about 1,000 students at Bloor and Huron Street, in Toronto, for Co-operative College Residences, Inc. This project should be completed early in 1968. In 1967 we expect to start construction of a 290 unit apartment building representing the last phase in the development of Don Valley Woods.

(iii) Public Housing — We have been very active in tendering for housing accommodation required by Ontario Housing Corporation, both in Metropolitan Toronto and parts of Southern Ontario. We presently have under construction approximately 1,200 units for Ontario Housing Corporation on a contract basis.

(iv) Land Subdivision — At the end of 1966 we had under development approximately 1,000 acres of land which we were subdividing and improving for sale as lots to merchant builders. There is a strong demand for serviced housing lots, and we have pre-sold approximately 1,000 of such lots for delivery in 1967. The earnings from these sales will be reflected in the operating results of 1967. Because of our activities in the development of land, we are very much interested in the plans being proposed by the Government of Ontario and intend to co-operate fully with them in their efforts to produce low-cost housing in large quantities.

(v) Sale Housing — During the year 1966, we built approximately 200 houses for sale.

(c) The development of commercial projects. We are currently negotiating for the development of one shopping centre in Southern Ontario and the erection in downtown Toronto of about 100,000 square feet of office and retail space.

(d) Urban Properties, Inc., an American company, 80% owned by this Company. These operations are confined to the redevelopment of downtown areas in several American cities and consist largely in the construction of subsidized housing for lower income families, with some construction of shopping centres,

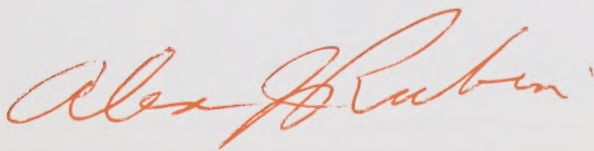
office buildings and other commercial facilities. During 1966, Urban Properties, Inc. completed two residential projects, one in Pittsburgh which was successful, and one in Buffalo which resulted in a loss as a result of labour problems. This loss has been fully taken into consideration in determining the profits for 1966. Urban Properties, Inc. is also completing a project in downtown Reading, Pennsylvania, which should be finished during the summer of 1967. During 1967, it will start a commercial development in downtown Johnstown, Pennsylvania, which will include an office building for Bethlehem Steel. Delays by Federal Housing Administration in providing mortgage monies has postponed to 1967 the start of two projects containing 600 housing units in New London, Connecticut and Pittsburgh.

Revenue Properties through its operating subsidiaries is engaged in many different areas of real estate development and in a variety of geographic locations. This diversification combined with its ability to be very selective in the projects it undertakes provides a sound basis for growth. The Company's leading position as a successful public real estate company owes much to the untiring efforts of an experienced management team and to the effective guidance of its Board of Directors which meets weekly throughout the year.

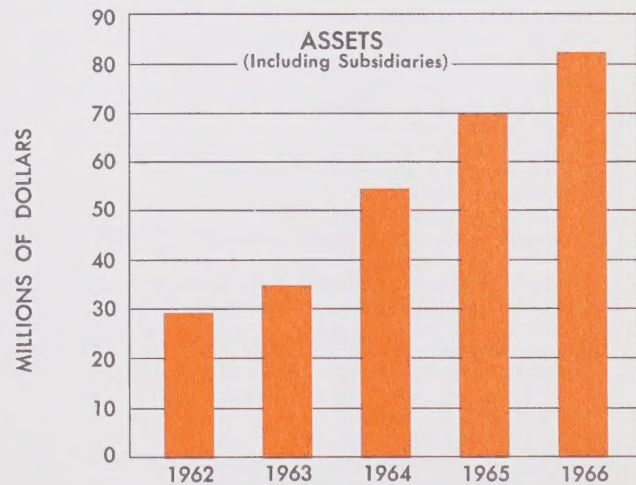
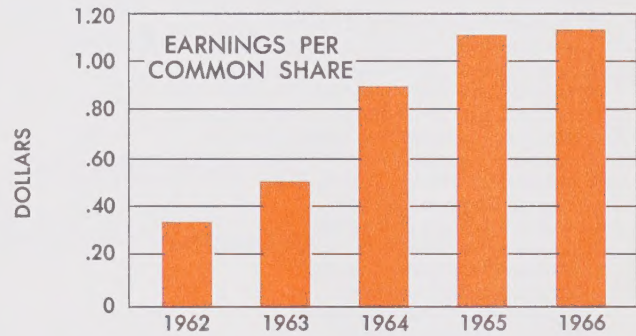
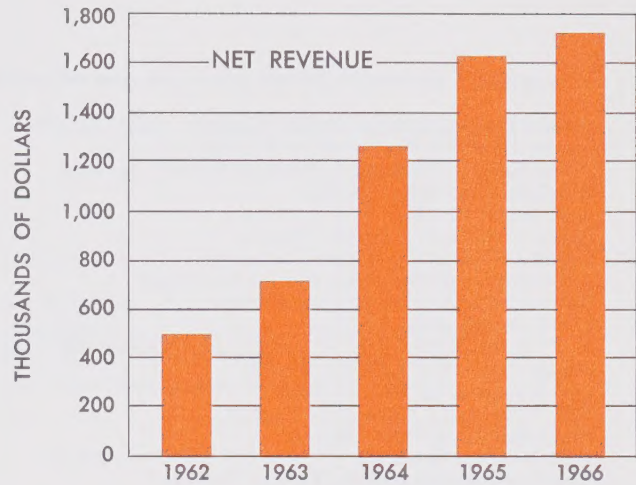
The Board of Directors wishes me to express on its behalf sincere appreciation to all those associated with the activities of the Company for their devotion and hard work. Their able and conscientious efforts assure the Company's continued success.

Respectfully submitted,

On behalf of the Board of Directors



President and Chairman of the Board.



SUMMARY OF PROPERTIES

COMPLETED INCOME PROPERTIES—OWNED AND OPERATED BY YOUR COMPANY FOR

INDUSTRIAL (Located in Toronto unless otherwise indicated)

Abitibi Panel Products Ltd. — Montreal
 Acalor Chemical Construction (Canada) Limited
 Acme Electric, Division of Polygon Services Limited
 Aerocide Dispensers Limited
 Addison on Bay Ltd.
 Alberta-Culver of Canada Limited
 Applied Physics Specialties Limited
 Argo Plastics & Chemicals Ltd. — Brampton
 Associated Industrial Caterers Limited
 Frank Arnott & Co. Ltd.
 A. P. Parts Corporation (Canada) Ltd. — Montreal
 Barber-Colman of Canada Limited
 Bell & Howell Canada Limited
 Bell Telephone Company of Canada
 Biggs-Dominion Sales Limited
 Bird Machine Company of Canada Limited — Quebec
 Board of Education of the City of Toronto
 Brace-Mueller-Huntley (Canada) Limited
 Bristol-Myers Co. of Canada Limited
 Butterick Company Inc.
 Canada Bread Co. Ltd.
 Canadian Broadcasting Corporation
 Canadian Imperial Bank of Commerce — Winnipeg
 Canadian Industries Ltd. — Brampton
 Canadian Marconi Company — Montreal
 Canadian Motorola Electronics Company
 Canadian Underwriters Association
 Canadian Westinghouse Co. Ltd. — Port Hope
 Commercial Filters Canada Ltd.
 Conenco Canada Limited
 Consolidated Graphics Ltd.
 Co-Operative Book Centre of Canada Ltd.
 Dalmine Scaffolding Limited
 Decalcomania Industries
 Department of Public Works
 Deplex Adhesives Limited
 Diamond Alkali (Canada) Limited
 Docap Manufacturing Limited
 Domtar Limited
 Domus Engineering Limited
 Double Diamond Bowling Supply Ltd.
 183 Dovercourt Road (Various Tenants)
 Dresser Manufacturing Co. Ltd.
 Duro Test Electric Limited
 Edgar Eaton Assoc. Ltd.
 Farinon Electric of Canada Ltd. — Montreal
 Farr Company Limited — Montreal
 Fine Papers Limited
 A. Garant & Sons Limited
 Garland Commercial Ranges Limited
 Garrett Manufacturing Limited
 General Deep Hole Boring & Turning Limited
 Gilchrist Vending Limited — Montreal
 Glendon Instrument Co. Ltd.
 Goodis, Goldberg & Soren Limited
 Gould Outdoor Limited — Montreal
 Griswold Corp. 1961 Ltd. — Quebec
 Gurney Products Limited
 Hanimex (Canada) Limited
 Harbour Plastics and Manufacturing Limited
 Harland Engineering Limited — Montreal
 Hazel Bishop of Canada Limited
 Hi-Grade Upholstery & Drapery — Winnipeg
 Hilroy Envelopes & Stationery Ltd.

Hodden Gray Graphics Limited
 Hodder & Stoughton Limited
 Hoffman Industries of Canada Limited
 J. I. Holcombe Company (Canada) Limited
 Horne & Pitfield Foods Ltd. — Edmonton
 Hostess Food Products Ltd. — Montreal
 Industrial Minerals of Canada Ltd.
 I-T-E Circuit Breaker (Canada) Limited
 Johnson Controls
 Kee Klamps North America Limited
 Knowles & Foster (North America) Ltd.
 S. F. Lawrason & Company Ltd. — Montreal
 Lampert & Attfield Limited
 Liberty-Fraser Building (Various Tenants)
 Liquor Control Commission — Winnipeg
 Maysteel Limited
 McCall Corporation
 Minnesota Mining & Mfg. of Canada Ltd.
 Miracle Products Limited — Montreal
 Moirs Sales Limited
 Morrison Litho Co. Ltd. — Montreal
 Mussels Ltd.
 Mynex Limited
 Newage (Canada) Limited
 Ohmart of Canada Ltd.
 Peugeot Canada Limited
 Pipe Coil Fabricators Ltd.
 Playtex Ltd.
 Precision Packaging Co. Ltd. — Montreal
 Prochem Ltd. — Brampton
 496 Queen Street East — (Various Tenants)
 Rayette (Canada) Limited
 Regal Die Casting Company Limited — Brampton
 Remple Manufacturing (Canada) Limited
 Royal Electric Company (Quebec) Limited
 Reynolds Aluminum Containers (1965) Ltd.
 Scotty's Painting Service Limited
 Shell Oil of Canada Ltd.
 Silverwood Dairy Limited
 Solo Klein Motoren of Canada Ltd. — Montreal
 Southam-McLean Publications Limited
 Sprague-Electric of Canada Ltd.
 Standard Instruments (Canada) Limited
 Staples Display Advertising Ltd.
 Stokes, Cap & Regalia Limited
 Stromberg Time of Canada Ltd.
 Sun Valley Restaurant
 Sunway Fruit Products Inc.
 Telemecanique Canada Limited
 Televue Ltd. — Winnipeg
 Texas Instruments Supply Company — Montreal
 The Manitoba Hydro Electric Board
 The Wright Line of Canada Ltd.
 Thompson Paper Box Co. Ltd.
 Three Star Cabinets Mfg. Ltd.
 Transparent Paper Products Ltd. — Montreal
 Trench Electric Ltd.
 J. A. Tumbler Laboratories Ltd.
 Universal Brushes Limited — Montreal
 Visirecord of Canada Ltd.
 Waterous Equipment Ltd. — Calgary
 Wayne Safety Appliances Ltd.
 George Weston Limited

Total number of industrial tenants: 160

Total industrial floor area: 2,883,013 sq. ft.

RECURRING INCOME

COMMERCIAL

The Colonnade — Toronto

The Citadel Motor Inn — Halifax (40% owned)

The Mana-to-Ana Motel — Thousand Islands (50% owned)

Chateaux Plaza Shopping Centre — Pittsburgh, Penn.

Four A & P Shopping Centres — Western Canada

Two Service Stations (Supertest & Shell Oil) — Toronto

Four Office Buildings — Toronto

Total number of commercial tenants: 135

Total commercial floor area: 729,912 sq. ft.

RESIDENTIAL

The Colonnade — Toronto

Brentwood Apartments — Halifax

Clarendon Apartments — Hamilton

Top of the Valley, Apartments — Toronto

Don Valley Woods — Toronto

Citadel Village — Toronto

Yorkwoods Village — Toronto

Braeburn Woods — Toronto

Total number of residential suites: 1,677



Harry Rubin,
Executive Vice-President



George Coleman,
Chief Accountant



Miss Sara Tuberman,
Assistant Treasurer

PROPERTIES UNDER DEVELOPMENT

INDUSTRIAL DIVISION

12 Industrial Parks are under development, comprising a total of approximately 350 acres. Over 3,000,000 square feet of industrial buildings have been erected in the last 3 years.

RESIDENTIAL DIVISION

Approximately 2,000 residential units are under construction in 9 projects.

LAND DEVELOPMENT

Over 1,000 acres in 7 locations are under development for owner-occupied housing.

HIGH RISE APARTMENTS

Several sites located in downtown Toronto and suitable for high rise apartments are being readied for development by your Company. These comprise approximately 3,000 units.

URBAN PROPERTIES — U.S.A.

3 projects currently under development consisting of approximately 650 housing units and 50,000 square feet of office and retail space.

INDUSTRIAL DIVISION

Over 9,000,000 square feet of industrial and commercial buildings constructed over a period of 15 years.

Typical multi-tenancy industrial buildings. Your Company at all times has a number of such buildings under construction and available in Toronto and Montreal.



Leslie Street, multi-tenancy buildings, 135,000 square feet.

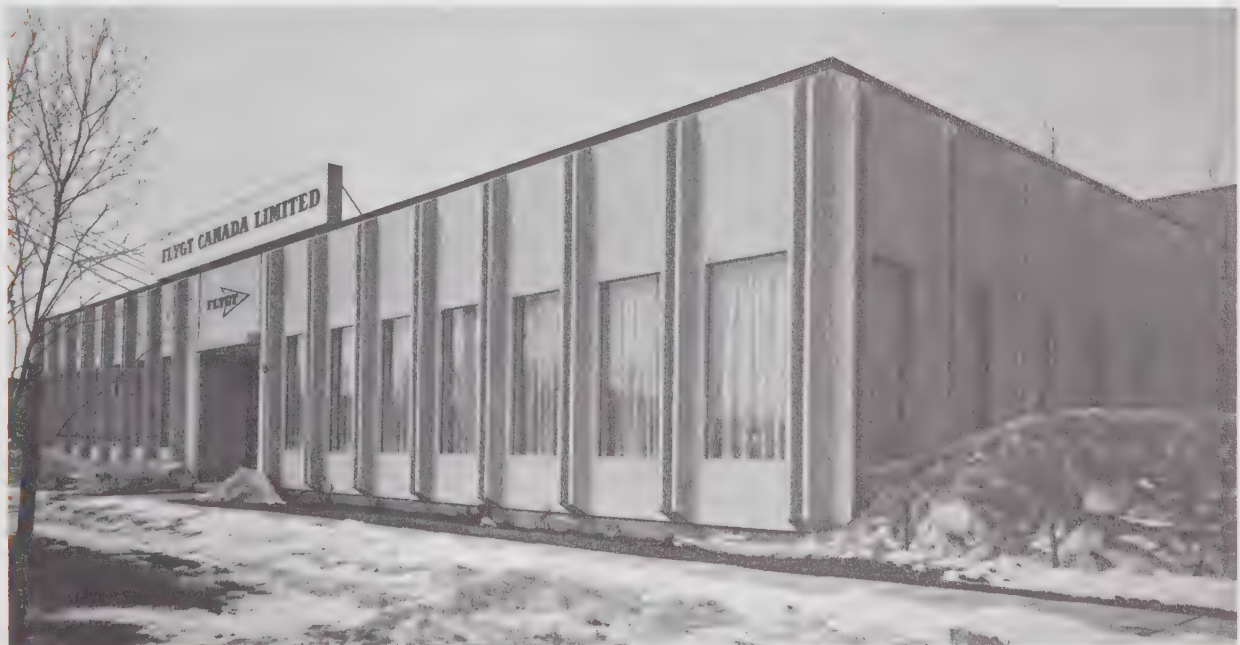


Don Mills South, multi-tenancy building, 60,000 sq. ft.

Typical custom built factories designed for the needs of a specific client and leased on a long term lease arrangement.



Xerox



Flygt International

RESIDENTIAL DIVISION

Over 6,000 apartment suites and garden houses built over a period of 10 years. Shown are four typical developments.

High Rise



Top of the Valley — Recently completed 260 suite Apartment Buildings on York Mills and Don Valley Parkway.

Braeburn — An apartment building under construction for Ontario Housing Corporation.



Garden Communities



Yorkwoods Village: Phase four — a typical garden project containing 119 houses.

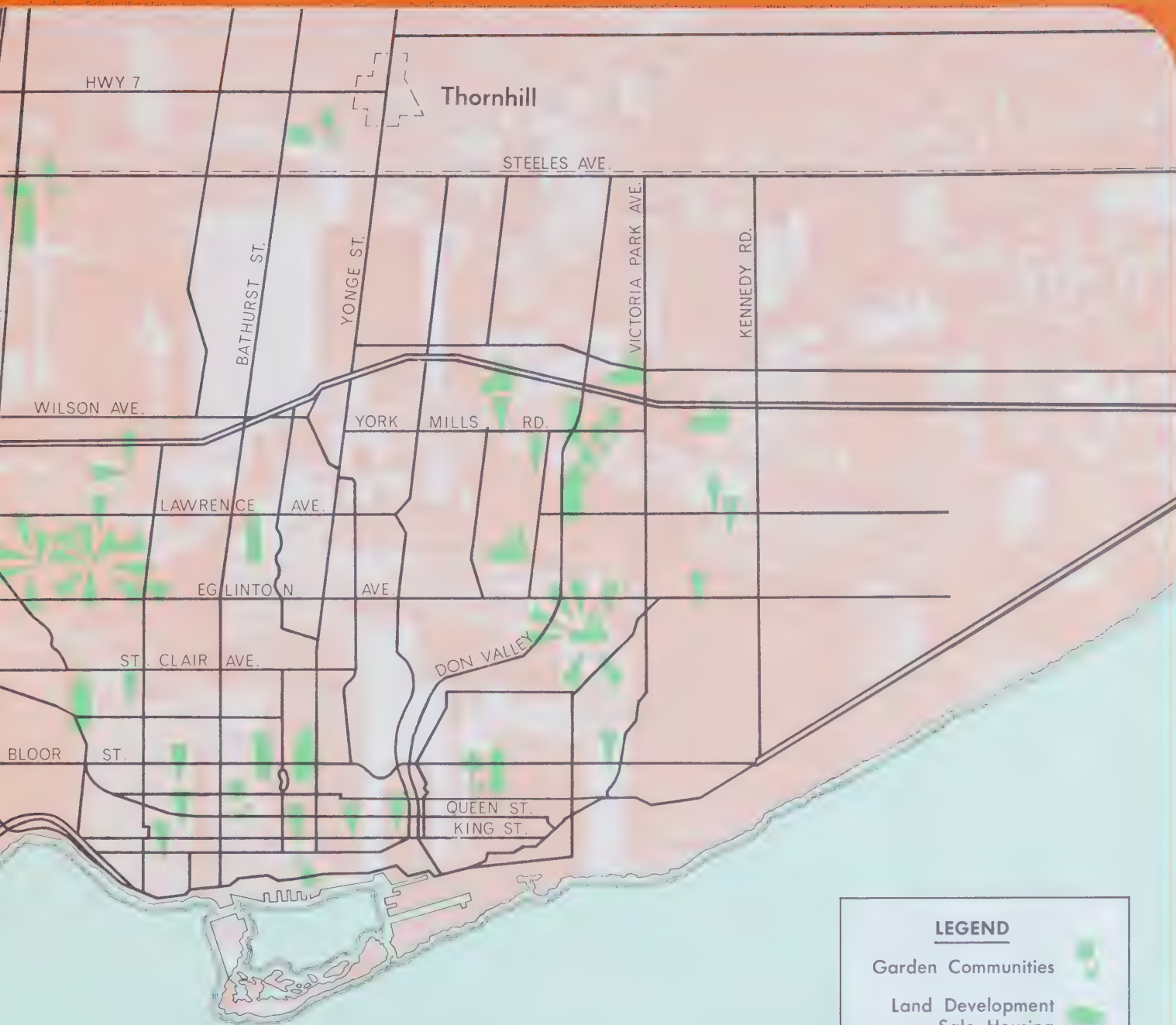


Citadel Village: 209 garden homes recently completed in Don Valley Woods, Toronto. This project is the winner of the Canadian Housing Design Council's Centennial Award.

HOLDINGS OF REVENUE PROPERTIES IN TORONTO

Completed properties and properties under development in the Toronto Area.





LEGEND

- Garden Communities
- Land Development
Sale Housing
- High Rise Apartments
- Industrial Parks
- Leased Industrial and
Commercial Properties

ke Ontario

SITE PLAN SALE HOUSING



FINANCIAL STATEMENTS

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REVENUE PROPERTIES COMPANY LIMITED AND ITS SUBSIDIARIES

Consolidated Balance Sheet

December 31, 1966 with 1965 comparisons

ASSETS

	1966	1965
Cash	\$ 2,866,901	\$ 1,857,586
Accounts, notes and rents receivable	1,841,593	1,930,431
Prepaid realty taxes, insurance and sundry assets	433,395	392,136
Mortgages receivable (note 1)	13,362,053	7,757,279
Real estate under development (note 2)	24,006,100	18,856,701
Revenue producing real estate at cost less accumulated depreciation of \$2,445,252; 1965 — \$1,728,738	38,604,564	37,270,283
Investment in and advances to affiliated companies at cost	739,836	1,408,371
Furniture and equipment at cost less accumulated depreciation of \$37,445; 1965 — \$22,539	82,640	81,591
Debenture and first mortgage bond discount and financing expenses less amount amortized	233,955	237,831
Organization expenses less amount amortized	93,456	112,147
Cost of shares of subsidiaries in excess of book value	140,459	140,459

Approved on behalf of the Board:

ALEX J. RUBIN, Director

WILLIAM P. WALKER, Director

Total Assets

\$82,404,952

\$70,044,815

The accompanying notes to consolidated financial statements form an integral part of this consolidated statement and should be read in conjunction therewith.

LIABILITIES

	1966	1965
Bank indebtedness (note 3)	\$ 1,959,400	\$ 2,343,919
Accounts payable	6,818,730	5,572,125
Tenants' rental and other deposits	260,914	127,771
Mortgages on real estate under development and secured loans (note 4)	26,133,848	17,639,845
Mortgages on revenue producing real estate (note 5)	28,130,402	24,661,044
Loans from directors	39,229	684,432
6½% First Mortgage Sinking Fund Bonds, Series A, due August 1, 1983 (note 6)	1,405,000	1,410,000
6½% Sinking Fund Debentures, Series A, due November 15, 1973 (note 7)	2,250,000	2,250,000
6½% Sinking Fund Debentures, Series B, due June 1, 1977 (note 8)	1,590,000	1,930,000
Total Liabilities	\$68,587,523	\$56,619,136
Deferred income tax (note 9)	\$ 500,000	\$ —
Deferred income	\$ —	\$ 200,000
Minority interest in subsidiary company	\$ —	\$ 894,603

SHAREHOLDERS' EQUITY

Capital Stock

First Preference Shares (notes 10 and 11)		
Authorized — 99,455 Shares with a par value of \$20 each, issuable in series; 1965 — 99,880 Shares		
Issued and fully paid —		
54,880 6½%, Cumulative, Redeemable, Convertible, Participating Shares, Series A	\$ 1,097,600	\$ 1,097,600
44,575 6½%, Cumulative, Redeemable, Convertible, Participating Shares, Series B; 1965 — 45,000 Shares	891,500	900,000
Second Preference Shares (note 12)		
Authorized — 475,136, 6%, Cumulative, Redeemable Shares with a par value of \$10 each; 1965 — 500,000 Shares		
Issued and fully paid — 134,384 Shares; 1965 — 94,553½ Shares	1,343,840	945,535
Common Shares (notes 13, 14 and 15)		
Authorized — 2,500,300 Shares without par value		
Issued and fully paid — 1,293,890 Shares	6,552,762	6,552,762
	\$ 9,885,702	\$ 9,495,897
Retained Earnings	2,966,108	2,547,574
Contributed Surplus	20,700	20,700
Reserve for Second Preference Shares to be issued as stock dividends (note 12)	444,919	266,905
	\$13,317,429	\$12,331,076
	\$82,404,952	\$70,044,815

REVENUE PROPERTIES COMPANY LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF RETAINED EARNINGS year ended December 31, 1966 with 1965 comparisons

	1966	1965
Balance — January 1,	\$2,547,574	\$1,919,322
Add — Net income for the year	1,725,747	1,624,326
Discount on purchase of 6½% Sinking Fund Debentures, Series A	—	4,840
Discount on purchase of 6½% First Mortgage Sinking Fund Debentures, Series B	67,359	4,900
	<u>\$4,340,680</u>	<u>\$3,553,388</u>
Less — Dividends — First Preference Shares, Series A	\$ 109,762	\$ 109,800
First Preference Shares, Series B	76,950	26,775
Second Preference Shares	77,764	40,564
Common Shares	258,778	—
Amount transferred to capital stock to pay in full 64,694½ Second Preference Shares issued as stock dividends; 1965 — 63,538½ Shares	646,945	635,385
Premium on purchase of 6½% First Mortgage Sinking Fund Bonds, Series A	—	150
Amortization of organization and financing expenses	26,359	22,955
Transfer to reserve for Second Preference Shares to be issued as stock dividends (net) (note 12)	178,014	170,185
	<u>\$1,374,572</u>	<u>\$1,005,814</u>
Balance — December 31,	<u><u>\$2,966,108</u></u>	<u><u>\$2,547,574</u></u>

The accompanying notes to consolidated financial statements form an integral part of this consolidated statement and should be read in conjunction therewith.

CONSOLIDATED STATEMENT OF REVENUE AND EXPENDITURE
year ended December 31, 1966 with 1965 comparisons

	1966	1965
Revenue		
Sale of land and buildings	\$25,782,248	\$19,544,363
Rentals	4,702,195	3,718,677
Interest	1,134,999	690,021
Fees	49,925	130,166
Other	66,743	38,543
	<u>\$31,736,110</u>	<u>\$24,121,770</u>
 Expenditure		
Cost of land and buildings	\$22,399,388	\$17,481,815
Property operating expenses	2,466,339	1,602,332
General and administrative	954,053	558,187
Interest on loans and mortgages	2,541,499	1,914,989
Interest on debentures	259,983	225,431
Interest on first mortgage bonds	91,325	94,108
Directors' fees	29,650	27,950
Amortization of debenture and first mortgage bond discount	13,708	12,319
Allowance for depreciation (note 9)	754,418	580,313
	<u>\$29,510,363</u>	<u>\$22,497,444</u>
Income from Operations	<u>\$ 2,225,747</u>	<u>\$ 1,624,326</u>
Provision for deferred income tax (note 9)	500,000	—
Net Income	<u><u>\$ 1,725,747</u></u>	<u><u>\$ 1,624,326</u></u>

The accompanying notes to consolidated financial statements form an integral part of this consolidated statement and should be read in conjunction therewith.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 1966

1. MORTGAGES RECEIVABLE — \$13,362,053

These mortgages are classified as follows:

First mortgages taken back on sales of real estate to The Royal Trust Company as Trustee for various housing trusts (note 17 (b))	\$4,040,470
Mortgages on properties sold	3,013,890
Mortgages on properties sold and leased back	3,778,353
Balances due under agreements for sale of land	2,529,340

\$11,483,015 of these mortgages are pledged to secure loans of \$8,626,267 (note 4b). \$415,000 of the mortgages are subordinated to leases on properties sold and leased back. Balances due under agreements for sale of land result from sales where the Company agreed, as a condition, to develop the land to the stage at which construction can commence. In certain instances construction has commenced and in the opinion of management all conditions will be met with respect to the others.

2. REAL ESTATE UNDER DEVELOPMENT — \$24,006,100

This consists of land held for development and construction costs for those projects under construction at balance sheet date. The land is recorded at cost, which includes carrying charges and development costs incurred since date of acquisition. Where the Company is a participant in a joint venture the consolidated financial statements include the Company's proportionate share of both the assets and liabilities pertaining to these ventures. Although the Company is liable for all of the obligations of the joint ventures, all of the assets of the joint ventures are available to satisfy the debts.

3. BANK INDEBTEDNESS — \$1,959,400

\$787,400 of this amount is secured by mortgage commitments on real estate under development, the balance of \$1,172,000 is unsecured.

4. MORTGAGES ON REAL ESTATE UNDER DEVELOPMENT AND SECURED LOANS — \$26,133,848

(a) Mortgages	\$4,822,400
(b) Secured loans	8,805,658
(c) First mortgage advances re construction in progress	8,525,270
(d) Balances due under agreements for purchase of land	3,980,520
(a) Mortgages include first mortgages and interim financing secured primarily on land and construction in progress and will be discharged out of the proceeds of first mortgage financing where construction is in progress or from the proceeds of sales. To the extent that	

properties remain undeveloped or unsold at the maturity date of such mortgages, these mortgages are, in the opinion of management, renewable at maturity on similar terms.

(b) Secured loans are primarily secured by mortgages receivable and are, in the opinion of management, renewable at maturity on similar terms.

(c) First mortgage advances re construction in progress represent the proceeds of first mortgage financing on real estate under construction as at balance sheet date.

(d) These agreements require no substantial cash outlay by the Company for a period of approximately four years, except that the agreements contain provisions requiring partial payments on the balances as sales are made out of the relative property.

5. MORTGAGES ON REVENUE PRODUCING REAL ESTATE — \$28,130,402

The mortgages bear interest at an average rate of approximately 7.67% and mature at various dates over the next twenty-nine years, and are repayable as to principal approximately as follows:

Fiscal years ending December 31, 1967	\$ 4,034,544
1968	5,984,296
1969	1,232,094
1970	861,744
1971	784,746
1972	718,569
1973	759,567
1974	790,301
1975	712,717
1976	780,131

Subsequent to December 31, 1976 11,471,693

The principal repayments are based upon the amortization term of the mortgages, and while certain mortgages fall due in advance of the full term of amortization, the Company's experience has shown that balances outstanding at the maturity date can be extended to the end of the amortization period upon similar terms. Short-term mortgages maturing in 1967 in the amount of \$3,334,099, in 1968 in the amount of \$5,328,500 and in 1969 in the amount of \$622,733 are in the opinion of management, renewable at maturity on similar terms.

6. 6½% FIRST MORTGAGE SINKING FUND BONDS, SERIES A — \$1,405,000

Pursuant to the Trust Deed for the Series A Bonds, the Company covenanted to establish a Sinking Fund in each of the years 1964 to 1982 inclusive by purchase for cancellation or by redemption by call, a principal amount of Series A Bonds equal to the total of 2% of the principal amount of all

Series A Bonds issued, plus the interest which would have accrued on or prior to August 1 in each year on all Series A Bonds purchased for cancellation or redeemed. As at March 31, 1967, the Company has purchased and cancelled \$1,240,000 of these bonds leaving \$165,000 outstanding.

7. 6½% SINKING FUND DEBENTURES, SERIES A — \$2,250,000

Pursuant to the Trust Deed for the Series A Debentures the Company covenanted to establish a Sinking Fund for the retirement of \$50,000 aggregate principal amount of Series A Debentures on November 15 in each of the years 1962 to 1972 inclusive. The Series A Debentures when originally issued were accompanied by share purchase warrants entitling the registered holders thereof to purchase 100 Common Shares without par value in the capital of the Company in respect of each \$1,000 principal amount of such Series A Debentures. Such share purchase warrants entitle the holders thereof to purchase Common Shares at \$5 per share if exercised on or before November 15, 1966, such price increasing thereafter by 25¢ per share for each year commenced or elapsed from November 15, 1966 to the date of exercise provided that the said warrants will expire on November 15, 1973 or on the expiration of two years following the retirement of all such Debentures, whichever shall be earlier. Under the terms of the share purchase warrants, a warrant-holder is entitled to receive at the time he exercises his warrants, in addition to the Common Shares resulting from such exercise, stock dividends on each such Common Share equal to the aggregate of the stock dividends which would have been declared and paid on each such Common Share if it had been outstanding throughout the period from the date of such warrants, November 15, 1961, to the date of his exercise thereof.

8. 6½% SINKING FUND DEBENTURES, SERIES B — \$1,590,000

Pursuant to the Trust Deed for the Series B Debentures, the Company covenanted to establish a Sinking Fund for the retirement of \$40,000 aggregate principal amount of Series B Debentures on June 1 in each of the years 1966 to 1976 inclusive. The Series B Debentures when originally issued were accompanied by share purchase warrants entitling the registered holders thereof to purchase 50 Common Shares without par value in the capital of the Company in respect of each \$1,000 principal amount of such Series B Debentures. Such share purchase warrants entitle the holders thereof to purchase Common Shares at \$9 per share if exercised on or before June 1, 1969, thereafter at \$11 per share if exercised on or before June 1, 1972, and thereafter at \$13 per share if exercised on or before June 1, 1975.

9. INCOME TAX

The allowance for depreciation has been taken at the rate of 2½% per annum on the cost of the building portion of depreciable improvements to property, except for depreciation on property located in the U.S.A. where the rate is 2% per annum, and The Colonnade in Toronto where the rate is 1%

per annum. Depreciation on the equipment portion of depreciable improvements to property has been taken at the rate of 10% per annum. For income tax purposes, however, the Company and its subsidiaries propose to claim capital cost allowances on these assets at the maximum rates allowed under the Income Tax Act. Certain subsidiaries propose to claim, for income tax purposes, interest and other carrying costs which have been capitalized in the accounts as cost of real estate. Income tax otherwise payable has thereby been reduced by \$618,000 for the year and by an accumulated amount of \$2,478,000 to December 31, 1966.

Where mortgages were taken back on the sales of properties a portion of the income therefrom has been deferred for income tax purposes pursuant to provisions of the Income Tax Act permitting such deferment. To the extent that income taxes have been deferred for this reason the Company has provided for such income taxes in the accounts in the amount of \$500,000.

The Company has been successful in negating the claim made against it by the Department of National Revenue in the prior year with respect to capital cost allowances available for income tax purposes.

10. 6½% CUMULATIVE, REDEEMABLE, CONVERTIBLE, PARTICIPATING FIRST PREFERENCE SHARES, SERIES A — \$1,097,600

In accordance with the provisions attaching to the First Preference Shares, Series A, so long as any of the said shares are outstanding, the Company shall on or before the 15th day of November, in each year, commencing with the year 1962, set aside as a purchase fund for the purchase of Series A First Preference Shares for cancellation the sum of \$30,000 up to a maximum amount of the lesser of \$90,000 or 15% of the aggregate par value of the Series A First Preference Shares outstanding on the first day of October in each year. A holder of Series A First Preference Shares, is entitled in respect of each such share held to 30 votes at all meetings of the shareholders of the Company. A holder of Series A First Preference Shares is entitled to receive at the time he exercises his right of conversion, in addition to the Common Shares resulting from such conversion, stock dividends, equal to the aggregate of the stock dividends which would have been declared and paid on each such Common Share if it had been outstanding from the date of the issuance of such Series A First Preference Shares. The Series A First Preference Shares are convertible into a maximum of 109,760 fully paid Common Shares without par value in the capital of the Company on the basis of two Common Shares for each Series A First Preference Share converted at any time up to an including November 15, 1969.

11. 6½% CUMULATIVE, REDEEMABLE, CONVERTIBLE, PARTICIPATING FIRST PREFERENCE SHARES, SERIES B — \$891,500

In accordance with the provisions attaching to the First Preference Shares, Series B, so long as any of the said shares

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 1966 (Continued)

are outstanding, the Company shall on or before November 15 in each year, commencing with the year 1966, set aside as a purchase fund for the purchase of Series B First Preference Shares for cancellation the sum of \$24,500 up to a maximum of the lesser of \$73,500 or 15% of the aggregate par value of the Series B First Preference Shares outstanding on October 1 in each year. A holder of Series B First Preference Shares is entitled in respect of each share held to 30 votes at all meetings of the shareholders of the Company. The Series B First Preference Shares are convertible into a maximum of 89,150 fully paid Common Shares without par value in the capital of the Company on the basis of two Common Shares for each Series B First Preference Share converted at any time up to and including November 15, 1969. 425 Series B First Preference Shares were re-purchased during the year for the sum of \$8,500.

12. SECOND PREFERENCE SHARES ISSUED AS STOCK DIVIDENDS — \$1,343,840

The Company has issued stock dividends of 6% Cumulative, Redeemable Second Preference Shares with a par value of \$10 each to the holders of Common Shares. An aggregate of 134,384 Second Preference Shares were outstanding at December 31, 1966. 64,694½ shares were issued and 24,864 were redeemed during the year. 30,772 Second Preference Shares are reserved for issuance as dividends, in accordance with the provisions relating to stock dividends referred to in Note 7 upon the exercise of Common Share purchase warrants and 13,720 Second Preference Shares are reserved for issuance as dividends, in accordance with the provisions relating to stock dividends referred to in Note 10 upon the conversion of Series A First Preference Shares into Common Shares. Subsequent to the balance sheet date a further 71,258 shares were redeemed.

13. COMMON SHARES RESERVED FOR ISSUANCE

346,175 Common Shares are reserved for issue pursuant to the share purchase warrants referred to in Notes 7 and 8.

14. RESTRICTIONS ON PAYMENT OF DIVIDENDS ON SHARES

The Trust Deed for the 6½% First Mortgage Sinking Fund Bonds, Series A, and the provisions attaching to the 6½% Cumulative, Redeemable, Convertible, Participating First Preference Shares, Series A and Series B, contain restrictions on the payment of dividends.

15. RIGHTS OF EMPLOYEES TO COMMON SHARES

The Company has granted options to two officers of the Company for the purchase of 25,000 Common Shares as follows:

1. An option for the purchase of 10,000 Common Shares at the price of \$6 per share exercisable for a five year period in each case as to 2,000 shares for each of five years commencing September 17, 1963 that he remains in the employment of the Company, the option on the last 2,000 shares expiring on September 16, 1972.
2. An option for the purchase of 15,000 Common Shares at the price of \$7.50 per share exercisable for a five year period in each case as to 3,000 shares for each of the five years commencing October 4, 1965 that he remains in the employment of the Company, the option on the last 3,000 shares expiring on October 4, 1975.

The Company has also agreed to allot and issue to an officer of the Company, and the officer agreed to take up and pay for an aggregate of 25,000 Common Shares at the price of \$6 per share. Under such agreement, subject to provisions applying in the event of death or termination of employment, the officer is entitled to purchase 5,000 of the said Common Shares on May 14 in each of the years 1963 to 1967, both inclusive, and must take up and pay for each such instalment of 5,000 Common Shares within five years of becoming entitled to purchase such instalment. To date the officer has not taken up or paid for any of the said 25,000 Common Shares.

16. LEASE OBLIGATIONS

Annual rentals payable by subsidiaries on revenue producing real estate sold and leased back are as follows:

(a) Expiry date December 9, 1968	\$ 257,079
(b) Expiry date August 31, 1980	122,920
(c) Expiry date December 30, 1980	158,230
(d) Expiry date January 31, 1981	164,713
(e) Expiry date October 1, 1979	122,088
(f) Expiry date October 15, 1978	53,100
(g) Expiry date October 31, 1989	110,600
(h) Expiry date June 29, 1994	
to June 29, 1969	198,639
from June 30, 1969, to June 29, 1994	186,125
(i) Expiry date December 31, 1987	168,432
(j) Expiry date February 1, 1987	
to June 30, 1967	122,517
from July 1, 1967 to April 30, 1979	120,017
from May 1, 1979 to February 1, 1987	106,779
(k) Expiry date October 1, 1979	187,909
(l) Expiry date November 30, 1978	19,789
(m) Expiry date June 29, 1976	23,289
(n) Expiry date October 30, 1976	9,662

Certain properties were not completely leased to sub-tenants at balance sheet date, however, it is projected that rental income will be slightly in excess of rentals payable by December 31, 1967. With respect to leases (a) and (b) reference is made to Note 17 (a). The subsidiaries have the right to terminate leases (b) to (j) inclusive by payment of a specific amount relative to each lease. The total amount required to cancel such leases is a maximum of \$1,242,000 of which \$415,000 is represented by those mortgages receivable subordinated to leases as referred to in Note 1 and of which \$600,000 has been secured by accounts receivable of the Company. Subsidiaries have the right to renew certain of the leases for various additional terms.

Rentals on long-term land leases are as follows:

(a) Expiry date November 30, 1968	\$ 22,559 per annum
(b) Expiry date December 11, 2019	11,460 per annum
(c) Expiry date June 30, 2060	113,400 per annum
(d) Expiry date February 28, 2063	17,000 per annum
(e) Expiry date May 31, 2064	24,300 per annum

Lease (a) has two renewals of five years each at a rental of \$9,838 per annum and \$8,092 per annum respectively.

Lease (c) contains a clause for renegotiated rent 30 years after 1960.

17. CONTINGENT LIABILITIES

- (a) A subsidiary has entered into agreements with respect to two properties sold at approximate cost during 1965 and leased back. These agreements give the purchasers the right, within two years from date of purchase with respect to one property and within three years from date of purchase with respect to the other property, to sell the properties back to the subsidiary for the original purchase price less any reduction in the first mortgages on the properties between the date of purchase and the date of exercise of the option. In the event that the purchasers exercise such right, the aggregate cash payment required to repurchase the two properties is \$685,000.
- (b) Certain subsidiaries sold an aggregate of 314 houses to The Royal Trust Company as Trustee and took back promissory notes and first mortgages to cover the purchase price. The Trustee in turn sold the houses to individual purchasers who made down payments equal to the aforesaid promissory notes and assumed their pro-rata obligation on the aforesaid first mortgage. Each of the purchasers has agreed to pay to the Trustee in monthly instalments such amounts as the Trustee is required to repay on the first mortgages. A subsidiary has agreed with the purchasers to repurchase houses for the original purchase price less \$500 as to 119 houses for a period of approximately 2½ years from balance sheet date and as to 103 units for a period of approximately 6 months from balance sheet date.

AUDITORS' REPORT

to the Shareholders

We have examined the accompanying consolidated balance sheet of Revenue Properties Company Limited and its subsidiaries as at December 31, 1966 and the consolidated statements of revenue and expenditure and retained earnings for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and related consolidated statements of revenue and expenditure and retained earnings present fairly the financial position of Revenue Properties Company Limited and its subsidiaries as at December 31, 1966 and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Respectfully submitted,

"PERLMUTTER, ORENSTEIN, GIDDENS,
NEWMAN & KOFMAN"

Chartered Accountants.

Toronto, March 31, 1967.





